

WVDO Answers to HUD Certification Questions

HUD Comment on 4.b.:

The Bonds section does not state that the grantee's standards will ensure that the bonds are from a company holding a certificate of authority as an acceptable surety.

WVDO Response:

Per the definitions found on the West Virginia Insurance Commissioner [website](#), each insurer licensed to transact business in West Virginia is authorized to write only those specific lines that the Offices of the Insurance Commissioner has granted. The Commission segregates authorization to the following categories Life, Accident and Sickness, Fire, Marine, Casualty, and Surety. *The Commission issues a Certificate of Authority license to insurers stating which categories they have been approved to write. Any addition or deletion to write business of an entire category must be approved by the Commission and the insurer's Certificate of Authority modified to reflect the change. Note, discontinuing to write a single product within a line of authority category does not result in a modification of the Certificate of Authority. The Certificate of Authority is only modified when an entire category type is discontinued or added.*

Furthermore, West Virginia relies on the Department of Treasury's [Listing of Certified Companies](#).

HUD Comment on 5.b.:

The Cash Flow Management section does not address the system that is in place to minimize the time elapsing between the receipt of funds from the Federal government and the transfer of funds to the subrecipients.

WVDO response:

West Virginia's Cash Management Improvement Act (CMIA) Agreement with The Secretary of the Treasury in effect through June 30, 2018, does not currently include HUD's CDBG-DR assistance program because the CDBG-DR does not meet the materiality threshold to be included in the CMIA Agreement. The current threshold is \$37,403,207 of expenditures based on the most recent Single Audit for Fiscal Year Ending 6/30/16. Per 31 CFR 205.4, "federal assistance program[s] that meets or exceeds the threshold for major Federal assistance in a State is not subject to [31 CFR Part 205,] Subpart A until it is included in a Treasury-State agreement or in a default procedures." The State has established policies and procedures in place to minimize the time elapsing between the receipt of funds and disbursement of funds to subrecipients. Invoices are entered and approved after funds are received, generally on the same day, to minimize the time elapsing between the receipt of funds from the Federal Government and the transfer of funds to subrecipients. After the invoices are approved by WVDO fiscal staff they are electronically sent to the Auditor's Office and Treasurer's Office for approval and payment. These respective offices have their own policies and procedures in place that determine when invoices are approved and processed. In addition, WVDO has selected not to receive, pay out, or utilize cash advances for the CDBG-DR program.

Recovery of funds including program income, refunds, and rebates will be used before drawing down other funds. These amounts will be recorded and tracked in the wvOASIS system and tracked with all program income. All financial accounts utilized for the CBDG or CDBG-DR program will be federally insured accounts. These accounts will be non-interest bearing.

In addition, cash management includes requests for payment from sub-recipients and direct contract vendors, as well as the management of funds drawn down from HUD. The approval for expenditures has been delegated by the Department of Commerce to WVDO's Director or designee. Invoice payment is made by the Treasurer's Office after the Auditor's Office has determined that the invoice and documentation meet state requirements.

HUD Comment on 8.c.:

The state's response should be N/A as cash advances are not received.

WVDO response:

WVDO has changed the initial answer on the checklist on 8.c. to "N/A."

HUD Comment on 12.a.:

Accounting P&P, p. 26-29 does not address the grantee's system to identify unrecovered indirect costs which were included as a contribution for cost sharing or matching purposes.

HUD Comment on 12.b.:

Accounting P&P, p. 26-29 does not address prior HUD approval for indirect costs as a contribution for cost sharing or matching purposes.

WVDO response:

West Virginia's CDBG-DR program will not be designed as a cost sharing or matching program. The WVDO does not have an indirect cost rate and instead, uses the cost allocation process.

The WVDO allocates all costs, including administrative costs, as direct costs through the use of multiple codes in the wvOASIS financial system. Generally, that allocation is made at the time of payment, particularly if the expenditure was made for a direct program purpose. Costs that are clearly Administrative, and/or combined program and administrative, will be allocated at the time of payment whenever possible. As an example, direct weatherization program costs are generally split between the Weatherization Assistance Program (WAP) and Low-Income Home Energy Assistance Program (LIHEAP) based on the program funding available from each source, as both programs have the same allowable costs for administration of the program.

Payroll

With the exception of funds passed through to sub-grantees, payroll cost (salaries and benefits) are WVDO's greatest expenses. WVDO's payroll is managed by the Department of Commerce, of which WVDO is one division. Payroll costs are originally paid based on budgeted time, but are adjusted monthly to reflect

actual, as worked, time for those staff who split work on multiple programs or whose time is shared between direct program and agency-wide tasks.

A majority of WVDO staff work on a single program and are paid directly from that program funding. Some employees routinely divide their time between multiple programs and may also handle some administrative tasks. WVDO also recognizes an Administrative Pool which includes the agency's director, deputy director, administrative secretary, chief financial officer, accountant and accounting tech.

All WVDO staff complete a monthly timesheet for the Department of Commerce, which records time worked, leave earned and leave taken. The employees whose time is divided between multiple programs and/or direct and agency-wide tasks also complete a monthly time and effort report to record actual time worked on each program. This time and effort report is the basis for after-the-fact, "as worked," payroll adjustments.

Travel Costs

In most cases, travel has a direct programmatic purpose and is allocated at the time of payment. Some administrative staff travel/training is for the benefit of the entire agency and will be allocated to multiple funding sources based on the percentage of direct costs (# of direct program employees who attended training) charged to each program.

Contracts

Contracted services are allocated to programs based on the benefit to the program. A primary annual contract is for the DBA FACS Pro database. Program changes and upgrades are paid by the program requesting the change/upgrade. The Homelessness programs do not use DBA FACS Pro.

Other Costs (Direct and Administrative)

All costs are analyzed to determine if they are direct, administrative or a combination of both. Direct program costs, and the identifiably direct share of common costs, are allocated to the appropriate program. Administrative costs directly related to programs are charged to the respective program. The administrative share of common costs are generally allocated based on the percentage of direct costs (# of direct program employees involved) charged to each program.

Rent

Rental costs are allocated based both on office size and who is using the space. At the Charleston office, square footage has been determined for each individual office to calculate the direct programmatic cost based on who occupies what space. Common space cost is allocated by the percentage of direct and administrative square footage in the office. The cost of space used by administrative staff and their share of common space costs are allocated based on the percentage of direct program square footage.

Telecommunications

Basic office telephone costs are allocated as described under Other Costs. Conference calls are almost always identifiable to a particular program and are allocated directly. Cell phones costs are identified with the person using the phone and are allocated as direct or administrative, with the administrative costs allocated as described above in Other Costs.

Non-Cash Contributions

The WVDO CDBG-DR program will not be designed as a cost sharing or matching program. Although the program does not require match or leveraged dollars, WVDO does encourage the use of non-CDBG dollars,

donations of assets, volunteer labor and services and recovery assistance provided by third-party organizations in maximizing the impact of CDBG-DR assistance. WVDO will require, consistent with HUD's requirements, that it and any subrecipient document and report on these contributions with values identified for each contribution. WVDO and any subrecipient shall utilize the valuation standards outlined in both 2 CFR 200.306 and 2 CFR 200.434.

HUD Comment on 20.a.:

The standards to procure audit services in accordance with procurement standards at 2 CFR 200.317-200.326 are not stated.

WVDO response:

The State procures audit services through its Office of State Auditor which is subject to and procures under the requirements of the West Virginia Purchasing Division (WVPD). The WVPD Purchasing Procedures contain the regulations and requirements which have been previously provided with the State's certification documentation and have demonstrated that the State operates under procurement laws at least as stringent as those set forth under are set forth under 2 CFR 200.318-200.326.

HUD Comment on 20.b.:

Standards to request for proposal audit services that clearly state the objectives and scope of the audit are not stated. Also, the grantee requesting a copy of the audit organization's peer review report is not stated.

WVDO response:

The State Auditor's Office procures the audit services according to the regulations and requirements of the WVPD. As the governing purchasing body of the State, the WVPD publishes the official solicitation. As previously cited, Section 6 (p.50) of the WVPD Purchasing Procedures sets forth the requirements covering the procurements such as audit services. One of the requirements under the elements of a RFP is the scope of the contracted services be included in the standard format (p.50). As such, the scope of the audit services is required to be set forth in the RFP consistent with the requirements of the WVPD Purchasing Procedures.

Moreover, as **Attachment 1** references, the State indeed requires a copy of the results of the audit organization's peer and external quality control reviews be provided with proposals (see page 22, "Mandatory Requirement 5"). Finally, the organization is required to report the results of any federal or state desk reviews during the past 3 years.

HUD Comment on 20.c.:

The grantee does not address the standards to apply the factors to be considered in evaluating the proposal for audit services which include the results of peer and external quality control review, and price.

WVDO response:

As stated previously, the State procures audit services according to the regulations and requirements of WVPD. The WVPD publishes the solicitation for audit services for the State. According to the WVPD Purchasing Procedures (Section 6, pgs.49-53), the grantee addresses the specific standards to be considered in evaluating all proposals. These requirements apply to audit services.

As an example, the State provides (see **Attachment 1**) the most recent solicitation for the State's audit services which demonstrates the State's contemplation of all factors referenced in 20(c) of HUD's Guide for Review of Financial Management as follows:

- Responsiveness to RFP – see page 31, #2, “Evaluation Criteria” which sets forth the criterion considered. The first factor considered is the Responsiveness to the RFP conveying a clear understanding of the scope of work.
- Experience – see page 21, “Qualifications and Experience” which category requires potential vendors to provide a list of audits and references that have been completed which demonstrate the ability to complete an audit of similar magnitude.
- Availability of staff with professional qualifications, etc. – see page 22, “Mandatory Requirement 2” requires that the engagement be staffed with certified professional accountants who have maintained continuing professional education within the previous two years. Agency also expressly retained the right to approve or reject replacements based on their qualifications, experience or performance.
- Results of peer and external quality control reviews – see page 22, “Mandatory Requirement 5” requires that the proposal include a copy of the firm’s most recent external quality control peer review report as well as the results of any federal or state desk reviews during the past 3 years.
- Price – see page 22 of the RFP, “Mandatory Requirement 5.7”, Cost of services – the proposal is required to include all pricing information relative to the performance of the scope of services detailed in the RFP.

Implementation Plan Evaluation of Risk and Management Capacity

Certification of Proficient Controls, processes and procedures

HUD: F.2.a. The State intends to operate its own programs, instead of sub-granting funds. The monitoring plan procedures are largely targeted towards the State monitoring subrecipients. The Monitoring Plan and Procedures say that the pool of projects for monitoring will be those projects where 95% or more of the funds have been expended. Since this is the first time the State has administered its own programs, I’d like to see a schedule where the compliance staff are doing sampling and review in each program area well before each project meets the 95% of funds expended threshold, particularly at the program start up.

WVDO response:

The WVDO monitoring strategy includes the use of desk reviews by the WVDO compliance staff and onsite monitoring by the WVDO compliance staff. The monitoring process will be performed based on priority, as determined by the results of a risk assessment. Identification of the entities to be monitored will be done quarterly, based on the results of the risk assessments and the threshold established (ie., percentage of funds expended, total allocation, number of projects). The monitoring reviews will be prioritized so that high-risk entities are monitored first.

Please see the updated Monitoring Plan and Procedures included herewith.

HUD: 2. Capacity – The Field Office has concerns about the State’s capacity to carry out the grant programs. The State has always subgranted funds and does not have anyone on staff with experience directly running a housing program. Will the State rely on Horne for the duration of the grant to provide homebuyer assistance program management, or just during program start up until the Housing Manager position is

filled? The VOAD and LTRC are the first points of contact for interested applicants, who are then appointed a case manager to shepherd them through the program. Will the case managers come from the VOAD/LTRC or be hired by the State?

WVDO response:

The State will be supported by Horne to provide complete implementation and program management support for the duration of the grant. The Horne team consists of 29 FTEs dedicated to the implementation support of the CDBG-DR Programs. At least 12 of this staff will provide additional case management support to fully serve all cases processed through the WVDO housing programs. The VOAD case management team has been trained in processing applications the same as the WVDO/HORNE case managers will process applications. Both groups will use the same grant management system, WVGMS.

In addition to the full support provided by the procured vendor, WVDO has named a new Compliance Manager who possesses experience in monitoring federally funded projects; WVDO has hired a new CDBG-DR Analyst who will serve as a second monitor on all CDBG-DR programs; and, the State is currently in the process of hiring the following positions:

- *Financial Analyst* dedicated full-time to CDBG-DR programs
- *Housing Program Specialist* (position to be filled by 8.31.17)

Finally, the state has released an RFP for additional CDBG-DR compliance monitoring support. It is anticipated that the procured vendor will augment the CDBG-DR compliance team as needed to support the full implementation of its monitoring plan and procedures.

HUD: 3. Staffing – There are too many blank spaces on the org chart. On page 17 of the implementation plan, the State addresses the hiring freeze, and indicates that it will hire 3 additional staff members. Is the State able to provide a timeline for filling positions? Tony O’Leary is listed as both procurement and contracts, and compliance/monitoring. Compliance staff should not be in a position to do a compliance monitor of their own work. Will the State also hire construction managers listed under the Construction Team on the org chart?

WVDO response:

Tony O’Leary will serve in the role of an operations specialist and contract manager for the CDBG-DR Program. He will not serve as a part of the Compliance Unit.

The state has already procured a team of construction managers who will be responsible for the management of construction activity on all of the CDBG-DR programs/projects. The construction managers are in place, have been trained and will commence work upon implementation of the programs.

As stated above, WVDO has further organized its team around the CDBG-DR program and hired new staff to ensure adequate management capacity. Again, WVDO has created a new position, Compliance Manager, which position will oversee compliance for the CDBG-DR programs. This Compliance Manager will be supported by 3 WVDO team members and, likely, a procured contractor to provide compliance monitoring services as needed for the CDBG-DR programs. Finally, the finance department of WVOEO/WVDO will add a position (likely to be filled by 9/1/17) to oversee the financial management of the CDBG-DR program only.

Please see the updated organizational chart provided with this updated staffing plan.

HUD: 5. [Technical Assistance](#) – I'd like to see a training for the VOAD and Long Term Recovery case managers to address the requirements of CDBG-DR housing assistance, since they will be on the front lines. I'd also like to see the State develop a monitoring plan to do a regular review of client documentation from each of the case managers at program start up, to ensure consistency, and then a regular monitoring schedule of sampling to verify all the necessary data is being collected and all verification is complete. It's possible that Horne will fulfill this function at program start-up, since they have experience with similar programs under CDBG-DR?

[WVDO response:](#)

WVDO has continued to partner with WVVOAD to ensure leveraging of resources. To that end, the VOAD case management team has been trained in detail regarding the intake of applications. In fact, the WVVOAD case managers have been provided the same intake tool to be used by the WVDO case management team. Both groups will use the same grant management system, WVGMS, to intake applications. To track progress, a daily report is compiled detailing the intake of applications through the WVVOAD and the those received and processed through the WVDO team.

All applications will be thoroughly reviewed by Program staff during the intake and verification of benefit processing levels to ensure consistency with program documentation and data requirements. Additional monitoring will then be completed by the HORNE team at regular scheduled intervals using sample populations.

Additionally, the WVDO monitoring strategy includes the use of desk reviews by the WVDO compliance staff and onsite monitoring by the WVDO compliance staff. The monitoring process will be performed based on priority, as determined by the results of a risk assessment. Identification of the entities to be monitored will be done quarterly, based on the results of the risk assessments and the threshold established (ie., percentage of funds expended, total allocation, number of projects). The monitoring reviews will be prioritized so that high-risk entities are monitored first. The monitoring plan and procedures have been updated to accommodate earlier and more frequent monitoring reviews.

West Virginia Development Office¹

CDBG-DR Compliance

Monitoring Plan and Procedures

Prepared by

West Virginia Development Office

March 1, 2017

¹ The West Virginia Development Office (WVDO) is comprised of the West Virginia Community Advancement and Development Unit (WVCAD) and Economic Resiliency Unit (ERU). The WVDO Compliance Unit which will oversee these procedures is also part of the WVCAD. Given that the WVDO Compliance Unit could oversee compliance for other units within the WVDO or the programs contemplated under this manual could be administered by various units within WVDO, the term “WVDO” is used throughout and should be understood to include WVCAD, ERU and the WVDO Compliance Unit.

REVISION LOG

The revision log identifies submission dates and changes to each version.

[illegible]

1.	Introduction	3
2.	Terminology	4
3.	Methodology	6
3.1	Risk Assessment and Monitoring Prioritization/Scheduling.....	6
3.1.1	Grantee/Subrecipient Risk Assessment	8
3.1.2	Project/Program Risk Assessment	9
3.2	Executing the Monitoring Review.....	9
3.2.1	Select the Project Sample.....	9
3.2.2	Perform Desk Review.....	11
3.2.3	Send Monitoring Notification	11
3.2.4	Prepare for Onsite Review.....	11
3.2.5	Execute Onsite Review	12
3.2.6	Prepare and Send Monitoring Letter	12
3.2.7	Corrective Action.....	13
3.2.8	Technical Assistance.....	13
3.2.9	Follow~up	14
4.	Monitoring Roles and Responsibilities	14
4.1	Monitoring Roles and Responsibilities	15
5.	Monitoring Tools	17
5.1	Core and Project Desk Review Checklists	17
5.2	Core Checklist.....	17
5.3	Project Checklist.....	18
5.3.1	Selecting a Sample to Execute the Project Checklist.....	18
5.4	Subrecipient Supplemental Worksheets	20
5.5	Contractor Monitoring Checklist.....	21
6.	Monitoring Relationship and Use of Monitoring Tools	22
6.1	Project/Program Administered by a Local Grantee/Subrecipient to the State	22
6.2	Program/Project Administered by WVDO.....	23
6.3	Program/Project Implemented by a Contractor to the State	24
7.	Performance Monitoring	24

Introduction

In June 2016, West Virginia experienced what has become known as the Thousand-Year Flood. This disaster (DR-4273) was among the deadliest, most costly disaster to ever hit the State of West Virginia. To aid with the recovery effort, the U.S. Congress appropriated Community Development Block Grant -Disaster Recovery (CDBG-DR) funds for the State of West Virginia through two public laws. The total appropriation amounts for the State was \$104,260,000. The West Virginia Development Office within the West Virginia Department of Commerce (WVDO) is tasked with administering these CDBG Disaster Recovery funds through various housing, economic development, planning, and infrastructure programs as described within the Disaster Recovery Action Plan and any subsequent amendments thereto.

Grantees are responsible for carrying out their programs to meet these compliance requirements, including monitoring their project administrators, contractors and subcontractors. The Department of Housing and Urban Development (HUD) requires monitoring and evaluation of recipient performance and compliance with Disaster Recovery CDBG program, statutory and regulatory requirements. CDBG regulation (24 CFR 570.501 (b)) states that:

"[The grantee] is responsible for ensuring that CDBG funds are used in accordance with all program requirements. The use of designated public agencies, Subrecipients, or contractors does not relieve the recipient of this responsibility. The recipient is also responsible for determining the adequacy of performance under Subrecipient agreements and procurement contracts, and for taking appropriate action when performance problems arise ... "

The monitoring process has three primary objectives:

- (1) It is a process to gauge the overall program progress and effectiveness of the contractors, State Grantees, Local Grantees and/or Subrecipients, as applicable, in meeting the program objectives, goals and requirements set forth under the Binding Agreement(s).
- (2) It serves as a management tool to identify issues that may compromise program integrity, funding, and service delivery for corrective action and resolution.
- (3) It serves as a technical assistance tool to identify areas in which to strengthen program capacity and quality of service delivery.

Monitoring is designed to make sure that programs are operating efficiently and effectively and that Disaster Recovery CDBG funds are being used appropriately. Monitoring may occasionally identify situations where certain activities or the absence of certain activities raise an issue of concern or violate program or statutory requirements. A finding of deficiency is noted when there is evidence that a statute, regulation or requirement has been violated.

If compliance is not possible, monetary or administrative sanctions may be imposed upon the Grantee, the WVDO or both.

The WVDO standardized Monitoring Plan and Procedures allows program monitoring to be tailored for monitoring any Direct Subrecipient, State or Local Grantee (county or municipality) implemented programs and projects. The Plan uses checklists which include compliance areas applicable to all program/project types, however all sections of the checklists may not apply to every program or project. The Monitor should reference the WVDO Disaster Recovery CDBG Administrative Manual for guidance related to the topics covered within each of the monitoring checklists.

2. TERMINOLOGY

The following terms are used throughout this document:

Binding Agreement - An agreement that, pursuant to state and HUD regulations, obligates the parties to expend or distribute federal funds and undertake responsibilities as set forth in the agreement. For the purposes of this monitoring plan, Binding Agreements include Interagency Agreements, and Contracts with procured agencies, commercial concerns, or Program Beneficiaries.

Community Development Block Grant (CDBG) - Type of grant provided through HUD to address a wide range of community development needs.

Compliance Manager - The lead member of the WVDO Compliance and Monitoring Team who is responsible for ensuring adequate monitoring occurs for all WVDO programs.

Compliance Analyst - The WVDO staff who manages compliance activities for all WVDO programs and projects.

Contract Administrator - The individual responsible for ensuring that services outlined in the contract are performed adequately, within a specific time frame, and within budget; could also be referred to as a Contract Manager.

Contractor - An entity competitively selected to provide clearly-specified goods or services. The contract price is established through the procurement process. CDBG funds are paid to the contractor as compensation for the satisfactory provision of the goods and services as specified in the contract.

Direct Subrecipient - A public or private nonprofit agency, authority or organization that is provided DR CDBG funds from WVDO for use in carrying out agreed-upon eligible activities.

Disaster Recovery Community Development Block Grant (DR CDBG) - Supplemental funding appropriated by Congress in response to disasters in the form of CDBG Disaster Recovery assistance.

Financial Lead - The WVDO staff person that provides technical assistance to Financial Analysts and manages financial compliance activities for onsite monitoring reviews.

Grantee - The County or Municipality that has a binding agreement in place with the WVDO to administer the Disaster Recovery CDBG program(s) and/or project(s).

Interagency Agreement (IA) - A Binding Agreement entered into by two State Agencies.

Level 1 Monitoring - Monitoring of Contractors, Grantees and/or direct Subrecipients.

Level 2 Monitoring - Monitoring performed by Grantees or Subrecipients.

Local Grantee - The local county or city receiving CDBG funds directly from the WVDO.

Monitored Entity - The State Agency, WVDO, Contractor, or Local Grantee (County/Municipality) that is evaluated during a monitoring review.

Process Lead - The WVDO staff person who tracks all compliance monitoring efforts and provides technical assistance to Compliance Analysts during onsite monitoring reviews.

Program Analyst - The WVDO staff who manages the day-to-day activities for a specific Disaster Recovery Grant Program/Project. The Program Analyst reports to the SPM over the specific Program.

Project - The housing, infrastructure, economic development, or planning endeavor undertaken by the Grantee.

State Program Manager (SPM) - The individual designated by the WVDO to manage and administer a Disaster Recovery Grant Program.

Subrecipient - A public or private nonprofit agency, authority or organization that is provided CDBG funds for use in carrying out agreed-upon eligible activities. U.S. Department of Housing and Urban Development (HUD) administration and oversight of CDBG funding.

WVDO - Denotes the State of West Virginia, West Virginia Development Office (including the West Virginia Community Advancement and Development Unit and Economic Resiliency Unit)

3. METHODOLOGY

The WVDO's monitoring strategy includes the use of desk reviews by the WVDO program staff and onsite monitoring by the WVDO compliance staff. During the desk reviews, the program analyst may sample program, project, contractor, or Subrecipient documentation to draw conclusions about the monitored entity's performance or to validate the monitored entity's capacity to complete the program(s) in a timely, efficient, economical, and effective manner. The monitoring process is performed based on priority, which is determined by the results of a risk assessment.

Quarterly, the Process Lead will identify the entities to be monitored based on the results of the risk assessments and the threshold established (i.e., percentage of funds expended, total allocation, number of projects). The Compliance Manager and Process Lead, in conjunction with the Program Managers and other stakeholders, will prioritize the entities so that the high risk entities are monitored first. At this point, additional entities may be added to the monitoring schedule to accommodate changing monitoring priorities.

3.1 RISK ASSESSMENT AND MONITORING PRIORITIZATION/SCHEDULING

The priority of reviews can be based on either the Grantee/Subrecipient Risk or the Project Risk:

- Grantees identified as "high risk" (per Section 3.1.1) would be monitored first; or,
- Grantees with the most "high risk" projects (as identified by the risk assessment within Section 3.1.2) would be monitored first.

The population of Grantees/projects may be limited by establishing a specific threshold (i.e., percentage of funds expended, total allocation, number of projects, etc.). Additionally, in lieu of reviewing 100% of projects, a sample will be selected for review using the methodology described in Section 3.2.1 to determine the overall capacity of a Grantee/Subrecipient to administer DR CDBG projects. The prioritization/scheduling approach should be documented prior to initiating the reviews.

To execute a risk assessment, the following steps should be completed:

1. Assessment based on risk criteria and thresholds (see Section 3.1.1 and 3.1.2).
2. Each criterion should be scored as high, medium, or low risk for each entity within the set (Grantee, Subrecipient, Project, and Program).

3. Combine the risk criterion scores for each entity within the set to determine the overall risk level.

Once the risk assessment is completed for all entities within the set, the monitoring reviews should be prioritized so that high-risk entities (Grantee, Subrecipient, Project, and Program) are monitored first. Reviews should be grouped by Grantee to minimize the number of visits throughout the year. The Grantee or Subrecipient should be monitored prior to or simultaneously with monitoring of their projects/programs.

After the initial monitoring visit, additional monitoring (on site or desk review) should be performed by Program Analyst for all active Grantees, Subrecipients, programs and/or projects through closeout. Additional reviews of programs/ projects requiring follow-up activities and/or corrective actions should take precedence over those not requiring such actions. The program/project risk should also be taken into account when scheduling additional reviews. Risk assessment results may be used to identify specific areas of concern and to determine the prioritization or frequency of onsite reviews.

3.1.1 GRANTEE/SUBRECIPIENT RISK ASSESSMENT

A desk review should be performed by Program Analyst for each Grantee/Subrecipient soon after the binding agreement has been executed to verify initial performance and identify any technical assistance needs. However, if multiple Grantees or Subrecipients are engaged to implement the projects/programs, the monitoring reviews can be prioritized by executing the Grantee/ Subrecipient Risk Assessment, described in Table I.

Table 1 Grantee/Subrecipient Risk Assessment Criteria

Criteria	Description	High Risk	Medium Risk	Low Risk
Funding	Grantee's total amount of funds remaining to be disbursed from all combined Disaster CDBG allocations.	7 Points	5 Points	3 Points
		\$200,000+	\$100,000-\$199,999	Less than \$100,000
Risk/Number of Projects	The number and type of approved projects.	5 Points	3 Points	1 Point
		20+ Projects or 7+ High-Risk Projects	10-19 Projects or 5+ High-Risk Projects	9 or Fewer Projects or Less than 5 High-Risk Projects
Implementation Method	The Grantee's use of Subrecipients, consultants, or internal staff to carry out their programs/projects.	7 Points	5 Points	3 Points
		Subrecipient	Grantee Staff	Consultant
Relevant Experience	The Grantee's experience of administering CDBG funds	5 Points	3 Points	1 Point
		No Experience	1 to 3 Years of Experience	4+ Years of Experience
Compliance History	The Grantee's past compliance with federally funded programs.	5 Points	3Points	1 Point
		No past monitoring or severe deficiencies were revealed	Evidence of prior monitoring; deficiencies noted, but non severe	Evidence of prior monitoring; no deficiencies noted

High Risk: 29-22 Points

Medium Risk: 21-15 Points

Low Risk: Less than 15 Points

3.1.2 PROJECT/PROGRAM RISK ASSESSMENT

Projects/Programs for each Grantee or Subrecipient should be prioritized based on the results of the risk assessment described in Table 2. The Project/Program Risk Assessment.

Table 2 Project/Program Risk Assessment

Criteria	Description	High Risk	Medium Risk	Low Risk
Total DR-CDBG Allocation	The total DR-CDBG provided to execute the Project.	5	3	1
		\$250,000+	\$150,000-\$249,999	Less than \$150,000
Complexity	The activities associated with the project or program	5	3	1
		Project Involving Construction	Loan or Grant Project	Other Project Types
Implementation	The entity who is implementing the project.	12	8	4
		Subrecipient	Grantee Staff	Consultant
Relevant Experience	The entity who is implementing the project or program's experience implementing a similar type project or program.	8	5	3
		No Experience	1 to 3 Years of Experience	4+ Years of Experience

High Risk: 30-22 Points **Medium Risk:** 21-15 Points **Low Risk:** Less than 15 Points

3.2 EXECUTING THE MONITORING REVIEW

The steps described in the subsequent sections provide the high-level process for executing a monitoring review. The roles and responsibilities associated with these steps are described within Section 4, Monitoring Roles and Responsibilities.

3.2.1 SELECT THE PROJECT SAMPLE

Identification of the entities to be monitored will be done quarterly, based on the results of the risk assessments and the threshold established. To initiate monitoring, the WVDO will initially limit the population into two categories - those projects where 20-49% (desk review) or more funds have been expended and those where 50% (desk review and on-site review) or more funds have been expended. Note that in some cases, projects may not have funds

disbursed until the very end of the project – this should be considered prior to limiting the population based on the expenditure threshold so that on-site monitoring can be completed well before to the end of the performance period of all grants. The Process Lead will initiate the Project Sample Selection process by providing a list of projects that meet the predefined threshold to the Program Manager. The Program Manager will complete the Project Selection Justification Form and provide a copy to the Process Lead.

Program Managers select a sample of projects to be reviewed using the Number of Projects and the Type of Project:

1. Number of Projects

- If five or fewer projects are within the monitoring population, two projects should be reviewed if applicable.
- If six or more projects are within the monitoring population. three projects should be reviewed. as applicable.

Note: No more than three projects should be reviewed during a monitoring review, unless the stakeholders agree on staff availability.

2. Types of Projects

- Different types of projects (infrastructure, housing, planning, and economic development) meeting the expenditure threshold should be reviewed.
- High Risk Projects should be included in the sample, as applicable.
- 2016 Flood projects meeting the expenditure thresholds should be included in the sample, as applicable.
- Projects implemented by an entity without a contractual relationship with the WVDO (i.e. a Grantee's Subrecipient) should NOT be included within the Project Sample.

Additional projects may be added to the sample selection, as deemed necessary by the Analysts (e.g., reviewing projects with previous audit findings). However, no more than three projects should be reviewed during one review. Program Managers must provide justification for each project selected for the sample, and the Process Lead approves the project sample prior to the Compliance Analyst sending the Notification Letter. If additional projects need to be reviewed, the Program Manager can request that an additional review be included in the follow-up review cycle.

The sample should, to the extent feasible, be different for each review performed. The following exceptions should be noted:

- Projects that are monitored and result in a high number of unresolved concerns and findings should be included within subsequent reviews.

- Projects selected through random sampling may be replaced in cases where the projects either have not started or have not reached defined milestones within the life of the project.

3.2.2 PERFORM DESK REVIEW

Once the projects have been selected for review, the Compliance Analyst will attempt to complete a Core Desk Review Checklist for the Grantee/ Subrecipient and a Project Checklist for each jurisdiction/entity to be reviewed. The goal of the desk review is to collect documents required for the onsite compliance monitoring review and may identify potential problems and technical assistance needs early, prevent compliance violations, and help improve Grantee/ Subrecipient performance. If, during the desk review, the Compliance Analyst determines that additional documents would be beneficial in prepping for the onsite review or will be required while **onSite**, they may request the documents prior to the onsite review.

For projects where expenditures are greater than 50%, the Desk Review (to the extent possible) must be completed prior to sending the Monitoring Notification. Documents not received during the Desk Review will not prevent the onsite review from taking place as scheduled. However, the Compliance Analyst should make an attempt to collect all required documents and, if the document is not received, notate as such on the Desk Review Checklist.

3.2.3 SEND MONITORING NOTIFICATION

Once an onsite review is scheduled to begin, a Monitoring Notification Letter is sent to the entity. The Compliance Analyst is responsible for drafting the Notification Letter. The Compliance Manager signs the Letter. Sending the monitoring notification is an especially important step in the onsite review process. The letter should include the date and time of the visit and the areas to be covered. For an onsite review, the letter should include a request for adequate workspace and for meetings with key personnel.

3.2.4 PREPARE FOR ONSITE REVIEW

Prior to beginning monitoring, the Compliance Analyst should coordinate work sessions with all the WVDO parties involved to review checklists and ensure all staff understand how to answer the questions for the specific review and to reiterate roles and responsibilities. As a part of the internal prep meeting, the Compliance Analyst should develop an agenda for the onsite review Entrance Conference and confirm the logistics for the onsite visit (travel arrangements, etc.). Section 1.1 of the Core Checklist contains questions that should be completed to ensure all monitoring prep activities have taken place prior to arriving onsite for the compliance monitoring visit.

The Compliance Analyst should also begin executing the Core Checklist, Project Checklist and if applicable, Project Worksheets and Supplemental Subrecipient Worksheets utilizing the documents collected by the Program Analyst during the desk review. See Section 4 for a description of the roles and responsibilities related to these Checklists. These checklists,

described in Section 5, are used to assess compliance with program, contractual, HUD, CDBG, and other federal, state and local requirements. Each Checklist includes instructions. Risk assessment results may be used to identify specific areas of concern and to determine the frequency of reviews.

3.2.5 EXECUTE ONSITE REVIEW

Onsite monitoring activities are those activities conducted at a site where the program/project records are maintained, production occurs, or both. Onsite monitoring is an effective way to validate desk review results, identify and/or research discrepancies, and more closely monitor high-risk program components.

During onsite monitoring visits, the files will be reviewed for compliance with all applicable federal and program requirements. Information collected during previous desk reviews, such as employee time sheets, financial statements, position descriptions, and policy and procedure manuals provided by the organizations, will also be used to prepare for the onsite visit. Each Checklist contains additional questions applicable to onsite monitoring. These Checklists are described in Section 5.

3.2.6 PREPARE AND SEND MONITORING LETTER

As a result of the monitoring review, one or more of the following conclusions may be reached:

- Performance was adequate or exemplary;
- There were significant achievements;
- There were concerns that need to be brought to the attention of the program participant;
- Technical assistance was provided or is needed; and/or,
- There were findings that require corrective actions.

Compliance Analyst should complete the Monitoring Report Letter Form to summarize the results of the onsite monitoring visit to facilitate discussions between the Compliance Director, Compliance Manager and Compliance Analyst. In the event that deficiencies are found, the findings must include the condition, criteria, cause, effect, and required corrective action.

Once the Monitoring Report Form is finalized (i.e., reviewed by the Program Manager and approved by the Compliance Director), the Compliance Analyst will prepare a Monitoring Letter, to be issued to the Monitored Entity describing the results in sufficient detail - to clearly describe the areas that were covered and the basis for the conclusions.

Generally, the tone of the Monitoring Letter should be positive, recognizing the common goal of responsibly and effectively implementing CDBG programs. The letter should include significant accomplishments or positive changes to establish and/or maintain positive relationships and to recognize the dedication and commitment of the Monitored Entity's staff

to the program mission. However, the Monitoring Letter should not include general statements such as, "[The Monitored Entity] complied with all applicable rules and regulations." Such broad, general statements can, for example, negate the ability to apply sanctions if necessary. Monitoring reviews cover the selected program, technical areas and oftentimes include selected samples. Monitoring conclusions should, therefore, be qualified (e.g., "based upon the materials reviewed and staff interviews, the activity/area was found to be in compliance with [specific requirements].").

The Compliance Analyst should strive to provide the results of the monitoring visit to the monitored entity within 30-45 days of the visit. If the Monitoring Letter cannot be completed within 60 days, the Monitoring Analyst should send the monitored entity a Monitoring Report Delay Letter to notify the Monitored Entity that the review is still underway.

3.2.7 CORRECTIVE ACTION

To assist in resolving findings of noncompliance with program policies, regulations, or process weaknesses identified in the Monitoring Letter, the Monitored Entity must submit a written management response to the Compliance Analyst. The management response should also include a plan for completing the required corrective actions. The management response and associated corrective action plan should be submitted within 30 days of receiving the Monitoring Letter from the WVDO. The Compliance Analyst maintains primary responsibility for following up on all corrective actions contained within the Monitoring Letter. If evidence of corrective actions taken or a corrective action plan is not submitted within 30 days of receiving the Monitoring Letter, the WVDO will follow up with a Monitoring No Response Letter. In the corrective action plan, the Monitored Entity must describe the corrective action taken or planned in response to the findings identified during the review. A corrective action plan is not required for monitoring concerns; however, the Monitored Entity should include proposed corrective actions related to concerns in the management response. In addition, the Compliance Analyst must comment on the status of corrective action taken on any prior findings and/or concerns.

Upon completion of all of corrective actions contained within the Grantee/Subrecipient's corrective action plan, corrective actions must be reviewed and approved by the Compliance Director, and then by the Chief of Staff and Executive Director. A Corrective Action Completed Letter will be sent to the Monitored Entity on behalf of the WVDO.

3.2.8 TECHNICAL ASSISTANCE

The objective of technical assistance is to aid the Monitored Entity in their day-to-day compliance with HUD and state regulations and program requirements as they administer their individual programs. The nature and extent of technical assistance should be determined at the discretion of the Program Analyst. Some examples of technical assistance may include:

- Verbal or written advice;
- Formal training; and/or,

- Documentation and guidance.

When deficiencies are identified as a result of monitoring, technical assistance may be required to assist in the resolution of the deficiency. Any assistance directly related to resolving a specific monitoring deficiency will be coordinated by the Program Analyst.

If deficiencies are noted for multiple Grantees, then organized technical assistance (TA) activities will be coordinated through the applicable Outreach Representative. Compliance and Program staff is responsible for reaching out to Outreach Reps to initiate T A activities. The Outreach staff is responsible for identifying the appropriate staff to provide T A (i.e., finance, infrastructure, labor, compliance, etc.). The Outreach Rep coordinates the logistics for T A visits (including setting up a pre-visit meeting with all WVDO parties involved). T A activities should be documented and reported in accordance with the WVDO policy.

3.2.9 FOLLOW~UP

In the event that findings or concerns are identified during the monitoring engagement, follow-up actions should be scheduled to address the progress of the proposed resolution. The timing and frequency of the follow-up communication and activities should be determined at the discretion of the Compliance Analyst, Program Analyst and SPM, and should be based on the severity of the deficiency.

If previous findings or concerns remain unresolved, or if a previously-identified monitoring deficiency remains uncorrected, these issues will also require follow-up activity. All follow-up actions should be documented and communicated to the Monitored Entity. When corrective action is required, target dates should be assigned for resolution of deficiencies.

4. MONITORING ROLES AND RESPONSIBILITIES

Recipient monitoring is the responsibility of the WVDO and its Grantees. The WVDO will monitor Grantees and direct Subrecipients to ensure compliance with executed agreements, applicable state and federal laws and regulations, and project/program performance criteria. Grantees and direct Subrecipients are responsible for carrying out their projects and programs in a way that meets compliance requirements, including monitoring their program/project administrators, contractors and subcontractors.

The WVDO has identified two levels of compliance monitoring for all of its CDBG Disaster Recovery Funds: Level 1 and Level 2. The WVDO developed monitoring tools that can be used at each level of compliance monitoring. The WVDO Long-Term Monitoring Tools are comprised of three Checklists: the Core Checklist, the Project Subrecipient Checklist, and a Contractor Monitoring Checklist.

Level 1 Monitoring - State Agencies, Local Grantees, Subrecipients, and contractors, as applicable, ensure that the program or project is implemented and/or services are being provided according to the requisite state and federal regulations and contractual obligations. The Core Checklist (see Section 5.2) and Project Checklist (see Section 5.3) are used to perform Level 2 monitoring. Additionally, the WVDO may use the Contractor Monitoring Checklist (see Section 5.5) to monitor contractor compliance with executed binding agreements.

Level 2 Monitoring - Grantee or Subrecipient ensures all state, federal and local laws and regulations, program / project requirements, and contractual obligations are met.

Level 3 Monitoring - Can be performed using the Project Checklist. Additionally, if Grantees utilize Subrecipients to execute their programs or projects, the Core Checklist can be utilized to monitor the Subrecipients.

Note Regarding the WVDO's Monitoring of Entities without a Contractual Relationship with the WVDO (and associated Projects): For the purpose of this Monitoring Plan, if a Grantee or Subrecipient has entered into agreements with other entities to execute projects the WVDO considers this a Subrecipient relationship between the Grantee/Subrecipient and the said entity. Therefore, the primary monitoring responsibilities of ensuring that the Subrecipient is implementing the program/project according to the applicable regulations rest with the Grantee/Subrecipient. The WVDO serves in an oversight monitoring role when this type of relationship exists.

The Subrecipient Management Section of the Core Checklist should be used to provide this oversight monitoring and determine if the Grantee/Subrecipient is sufficiently managing its Subrecipients (and its Subrecipients' implementation of its allocated projects). If, after completing the review, it is determined that the Grantee is not sufficiently managing its Subrecipient, the WVDO may (with coordination with the Grantee/Subrecipient), complete a project review for a sample of the Subrecipient's projects. The actual program deliverables/activities (i.e., services provided by the Subrecipients) should not be reviewed by the WVDO unless issues are found during the review.

4.1 MONITORING ROLES AND RESPONSIBILITIES

The Compliance Manager will assign a Compliance Analyst as team lead to coordinate the monitoring efforts for each review. The Compliance Manager will assign a Financial Analyst to each review.

The following roles were established to execute the WVDO's Long-Term Monitoring Plan:

1. Compliance Manager
 - a. Oversees all monitoring efforts

- b. Reports Status of Monitoring Reviews
 - c. Assists the Process Lead with the development of the monitoring schedule
- 2. Process Lead
 - a. Tracks Monitoring Efforts
 - b. Follows up on overdue review milestones
 - c. Assigns Compliance Analysts
 - d. Provides oversight for all Compliance Analysts tasks
 - e. Coordinates the completion of risk assessments
 - f. Initiates the Project sample selection process; Approves the Project sample
 - g. Coordinates the development of the monitoring schedule; Manages ongoing monitoring needs (i.e., how to handle "emergency" visits)
 - h. Reviews and approves Notification Letter
 - i. Approves Core and Project Checklists in coordination with Financial Lead
 - j. Reviews and approves Monitoring Letter in coordination with Financial Lead
 - k. Coordinates with Financial Lead on any required edits prior to submitting Monitoring Letter to Compliance Manager for final approval
- 3. Compliance Analyst
 - a. Tracks assigned monitoring reviews
 - b. Provides technical assistance throughout the monitoring process
 - c. Coordinates prep for onsite reviews
 - d. Facilitates the Entrance Conference and Exit Conference for Onsite reviews
 - e. Executes and documents the results of the Core and Project Checklists
 - f. Drafts all Letters
 - g. Oversees the Corrective Action Resolution Process
- 4. State Program Manager
 - a. Selects the Project sample
 - b. Provides input into monitoring schedule
 - c. Reviews Monitoring Report Form (provides input on identified concerns and findings)
- 5. Program Analyst
 - a. Participates in activities to prepare for onsite visit
 - b. Provides technical assistance to the monitored entity to resolve a specific monitoring deficiency
 - c. Executes the Desk Review Checklist
- 6. Executive Director/Chief of Staff
 - a. Reviews Monitoring Letter prior to final approval when findings and/or concerns have been identified that require an executive-level decision
- 7. Director of Programs
 - a. Reviews and Signs Notification Letter
 - b. Reviews and Signs Monitoring Letter
 - c. Reviews and Signs No Response Letter

- d. Reviews and Signs Corrective Action Letter
 - e. Reviews and Approves final resolution of Corrective Actions; Signs Corrective Actions Letter
- 8. Subject Matter Expert (SME)
 - a. Provides support to the Compliance and Program Analysts
 - b. Provides functional guidance in the areas of Procurement/Contracting, Financial Management, Labor, Environmental and Monitoring

5. MONITORING TOOLS

The WVDO Long-Term Monitoring Tools are comprised of five Checklists: the Core Desk Review Checklist, Project Desk Review, Core Checklist, Project Checklist, and Contractor Monitoring Checklist. The activities associated with a Grantee, Subrecipient, Project, or Program determines which sections of these Checklists are used for each review. These Checklists are described in Sections 5.1 - 5.5.

5.1 CORE AND PROJECT DESK REVIEW CHECKLISTS

The Desk Review Checklists should be used during all Level 2 Compliance Monitoring reviews. The goal of the desk review is to collect documents required for the onsite core and project compliance monitoring review and identify any technical assistance needs. Upon completing the Core Desk Review Checklist

for the Grantee/Subrecipient and a Project Checklist for each project to be reviewed, the Program Analyst will save the documents collected in the respective Grantee's folder within the WVDO's grant management system so that the Compliance can access for completion of the Core and Project Checklists.

If, during the desk review, the Program Analyst determines that additional documents would be beneficial in prepping for the onsite review or will be required while onsite, they may request the documents prior to the onsite review. The onsite Compliance Monitoring visit should not be delayed if a document is not obtained in advance of the onsite visit, as the Compliance Monitor will request and review any additional required documents while onsite.

5.2 CORE CHECKLIST

The Core Checklist should be used during all Level 2 Compliance Monitoring reviews. Grantees may also use this Checklist to monitor its Subrecipients. This Checklist is included as of this document.

The primary functions of the Core Checklist are to determine if policies and procedures meet minimum requirements and to verify the adequacy of the financial management system, civil rights compliance, and the Subrecipient management system, as applicable. The Core

Checklist is intended to be completed for the initial desk review and as an onsite checklist during scheduled onsite visit. The Core Checklist includes a review of the following areas:

1. Financial management policies and procedures;
2. Procurement policies and procedures;
3. Contracting policies and procedures;
4. Monitoring policies and procedures;
5. Financial management system validation;
6. Civil Rights; and,
7. Subrecipient Management, as applicable.

The Compliance Analyst should use the Policies and Procedures sections of the Core Checklist to identify technical assistance needs as early in the program/project implementation as possible.

5.3 PROJECT CHECKLIST

The Compliance Analyst should use the Project Checklist, included as, to review a sample of the Grantee's Projects. The Project Checklist is used as both a desk and onsite review. The Project Checklist is comprised of questions related to each of the following compliance areas:

1. Citizen Participation
2. Financial Management
3. Procurement
4. Contracting
5. Labor
6. Civil Rights
7. Environmental Review
8. Acquisition and Relocation
9. Property Management
10. Monitoring
11. Lead-Based Paint, Asbestos, and Mold
12. National Objective and Eligible Activities

Project Worksheets should be used by the Compliance Analyst to draw conclusions regarding procurement, contracting, labor, and Section 3 compliance for each project. The worksheets include questions pertaining to the specific contractors/vendors procured to implement the program/project. Since the activities associated with a project and with a contract vary, all sections of the Project Checklist may not be applicable for each project and associated contract/contractor. The results of each Project Checklist should be reviewed to determine if technical assistance is required.

5.3.1 *SELECTING A SAMPLE TO EXECUTE THE PROJECT CHECKLIST*

Contractor Sample

For each project within the Project Sample, the Compliance Analyst is required to select a sample of contractors/ vendors in order to execute the Project Worksheets. The full population of contractors/vendors used to implement the project should be listed in Section 3 of the Project Desk Review Checklist (this includes any consultants, non-profits, Subrecipients, etc.). If the Grantee has not engaged any contractors or vendors to execute the project (i.e., they are performing the work " in-house"), the responses to the applicable Project Worksheet questions should be based on the 'in-house' activities (i.e., invoicing and labor review of the public works department implementing the CDBG-funded project). Using the Project Worksheets, the Compliance Analyst will use the procurement documentation, contracts, draw requests, and other documentation associated with the project and contractors to test the Grantee 's administrative systems.

1. Number of Contractors/Vendors to Review
 - a. If five or fewer contractors/vendors have been used to implement the projects, two contractors/vendors should be reviewed, if applicable.
 - b. If six or more contractors/vendors have been used to implement the project. Three contractors/vendors should be reviewed, as applicable.
2. If issues are found within the selected sample, broaden the sample to include additional contractors.
3. The number of contractors selected for review may be increased based on the Grantee risk level. The reasoning for selecting the contractors within the sample should be documented. The contractors selected should be notated on the Project Desk Review Checklist.

If a project undergoes more than one review, each review cycle should include different contractors, as applicable. The Compliance Analyst always has the option of expanding the sample size to include additional contractors for initial testing or retesting.

Selecting Draw Request Sample and Invoices to Review

Section 7 of Project Checklist requires the Compliance Analyst to select a sample of draw requests for the Project being reviewed. For each draw request, the analyst will also select a sample of invoices to determine if costs are allowable and support documentation is sufficient. There are minimum sample sizes for attribute testing. The Compliance Analyst should use Table 3 below to determine the appropriate sample size for monitoring program-processing activities (e.g., draw request submittal, closings, applicant file reviews, etc.). Draw Requests included in the sample should be those submitted at least one month prior to the Grantee receiving the Notification Letter.

Table 3 Sampling for Transaction-Based Activities

Population	>200	100-199	50-99	20-49	Less than 20
Minimum Sample Size	65	20	10	5	3

Example: Ten draw requests have been submitted; select three to include in the sample.

	<u>Draw Request A</u>	<u>Draw Request B</u>	<u>Draw Request C</u>
# Invoices within Draw Request	25	20	50
# Invoices Selected for Review	5	3	10

Sampling Tools

Sample selection can be performed with the assistance of off-the-shelf software (e.g. random number generators, MS Excel function- RAND (random number generator)). A sampling tool may be used to randomly select a sample from a population.

Additional projects may be added to this selection using a Non-Random Selection Method by:

1. Examining more projects from a specific category;
2. Selecting additional projects to include one from each Grantee staff person responsible for project oversight;
3. Including additional projects with the same characteristics, if indicated by the severity or nature of any problems(s) noted during previous reviews (for example, same problem category, same county staff person, same activities or other characteristics);
4. Including projects with expanded scope or funding, activities considered high risk and/or unresolved past findings or concerns.

5.4 SUBRECIPIENT SUPPLEMENTAL WORKSHEETS

If a project is selected that is administered by a Grantee's Subrecipient, the Compliance Analyst will execute the Subrecipient Supplemental Worksheets to validate the subrecipient management practices of the Grantee as a part of the Core Review. This worksheet will only be used if a project within the selected sample is administered by a Grantee's Subrecipient.

The Subrecipient Supplemental Worksheets include a review of the Grantee's monitoring files to ensure compliance in the following areas:

1. Monitoring
2. National Objective and Eligibility
3. Contract Management and Procurement
4. Recordkeeping

5. Financial Management
6. Property Management
7. Labor
8. Civil Rights

5.5 CONTRACTOR MONITORING CHECKLIST

Compliance Analysts serve as the primary monitors (Level 2), unless otherwise defined in the contract. When State personnel are embedded within specific operational areas managed by the contractor, day-to-day and continuous monitoring may occur that is not included within this monitoring strategy. See Section 6.3.

When considering contractors, the same federal, state, local and CDBG administrative and monitoring requirements that apply to Subrecipients may not apply to a contracted entity. Therefore, the checklist used to monitor Subrecipients and state-administered projects may not be suitable to fulfill the WVDO's contractor monitoring responsibilities. With that in mind, a Contractor Monitoring Checklist was developed to help the WVDO fulfill its responsibility for monitoring contractors, whether the contractors function as grant administrators or serve the state in other capacities.

The Contractor Monitoring Checklist must be tailored based on the contract executed between the WVDO and the contractor. This would include updating the checklist to include all requirements and deliverables associated with the contract scope of work and to include any relevant areas of concern.

The Contractor Monitoring Checklist includes a review of the following areas:

1. Contractual requirements
 - a. Administrative requirements
 - b. Scope of Work
 - c. Deliverables
2. Areas of Concern (as identified by the monitor)
3. Labor
4. Civil Rights
5. Environmental
6. Financial Management
7. Property Management
8. Other Legal/Regulatory Requirements

Selecting a Documentation Sample to Review

The Contractor Monitoring Checklist instructs the Compliance Analyst to pull samples of specific documentation to draw conclusions about an activity, process, or function.

Populations will be obtained through coordination with the entity being monitored and may consist of listings of projects, case files, program activities/transactions or financial information in an electronic or hardcopy form. The actual sample items may consist of hardcopy records that are pulled for testing while on site, specific records and information as requested, and/or data or reports that are provided by the monitored entity as part of ongoing reporting or other production requirements.

According to Appendix A of HUD Handbook 2000.04 REV-2 CHG-7, there are minimum sample sizes for attribute testing. The Compliance Analyst should use Table 4 to determine the appropriate sample size for monitoring program-processing activities (e.g., closings, applicant file reviews, etc.).

Table 4 Sampling for Transaction-Based Activities

Population	>200	100-199	50-99	20-49	Less than 20
Minimum Sample Size	65	20	10	5	3

Sample selection can be performed with the assistance of off-the-shelf software (e. g., random number generators, MS Excel function - RAND (random number generator)). A sampling tool may also be used to randomly select a sample from a population.

6. MONITORING RELATIONSHIP AND USE OF MONITORING TOOLS

The relationships between each of the roles described above and the use of the monitoring tools described depends upon how the program is implemented. The WVDO may distribute CDBG funds to Beneficiaries through programs administered by a:

1. Local Grantee (county or municipality);
2. Subrecipient (State Agency, non-profit, etc.);
3. State contractor;
4. WVDO directly; or,
5. WVDO with the assistance of contractors.

Depending on the administration method and the project/program requirements, all sections of each of the checklists may not be used during the monitoring review. The following sections describe the monitoring relationships and tools by administration method.

6.1 PROJECT/PROGRAM ADMINISTERED BY A LOCAL GRANTEE/SUBRECIPIENT TO THE STATE.

The following table provides guidance when the WVDO is monitoring an entity for which they have a direct contract/agreement with.

Tool	Executed By	Additional Guidance
Desk Review Checklist	Program Analyst	Execute the Desk Review Checklist, Core Review for the policies and procedures.
Core Checklist	Compliance Analyst	Execute the policies and procedures sections of the Checklist, and the remaining sections/questions of the Checklists, utilizing the results of the Project Checklists, as applicable.
Desk Review Checklist	Program Analyst	Execute the Desk Review Checklist, Project Review for each Project within the sample.
Project Checklist	Compliance Analyst	Execute the Checklist for each Project within the sample (see Section 3 .2 .1).
Project Worksheets	Compliance Analyst	Execute for a sample of the contractors and/or Subrecipients. For Subrecipients, only execute Worksheets I and 3.
Subrecipient Supplemental Worksheets	Compliance Analyst	Execute the worksheets if the Grantee has engaged a Subrecipient to administer the project.

6.2 PROGRAM/PROJECT ADMINISTERED BY WVDO

Tool	Executed By	Additional Guidance
Core Checklist	Compliance Analyst	Answer the Policy and Procedures questions based on the State Program Manager's administration of the Program, utilizing the results of the Project Checklists, as applicable.
Project Checklist	SPM/Compliance Analyst	Answer the questions based on the Program/Project implemented by each recipient.
Project Worksheets	SPM/Compliance Analyst	Execute for a sample of the contractors and/or Subrecipients listed in Section 3.

If a Program or Project is administered directly by the WVDO, the monitoring tools should be used as illustrated in the following table. This includes those Programs where the WVDO has engaged consultant/contractors to provide support services for the administration of the Project/Program. The

consultants/contractors providing support services can be reviewed using the Contractor Monitoring Checklist (see Section 5.45).

6.3 PROGRAM/PROJECT IMPLEMENTED BY A CONTRACTOR TO THE STATE

If the WVDO has engaged a Contractor to implement the Program/ Project, see the Contractor Monitoring Checklist Core Checklist. Project Checklist and associated Project Worksheets are used to monitor the Contractor. If the Contractor is providing support services to the WVDO to implement the Program only the Contractor Monitoring Checklist would be used.

Tool	Executed By	Additional Guidance
Contractor Monitoring Checklist	SPM/Analyst	Incorporate contract Scope of Work requirements and deliverables. Execute all applicable sections of the Checklist.

7. PERFORMANCE MONITORING

Performance monitoring of the Grantee-implemented programs and projects is performed as a parallel process to the compliance monitoring by the Outreach Team and Program Analysts. Because the number and type of projects administered by a single entity can be numerous and complex, it often becomes difficult to plan for each projects implementation. Projects may take years to implement once approved due to lack of planning and oversight. The WVDO may monitor the performance of projects based on the pre-defined milestones and the Grantee-approved target dates for reaching these milestones.

The goals for performance monitoring include:

1. Assisting Grantees in developing project implementation schedules using the Performance Monitoring Template;
2. Enabling Grantees to allocate applicable staff/resources to projects and maintain reasonable timelines for completion of projects;
3. Tracking Grantee progress and providing technical assistance as needed; and,
4. Providing summary reporting of frequently requested information.


By engaging Grantees in the process, the schedules that are established should allow Grantees to allocate applicable staff/resources to projects and maintain reasonable timelines for completion of projects. Project milestones have been identified for each of the following project types:

The milestones associated for each of these projects are included in. These milestones may be used to set a base schedule for a group of projects. The WVDO may work with the Grantee to adjust this schedule based on the activities associated with each individual project. For example, all projects may not require property acquisition, so this milestone can be marked non-applicable. The construction of the concrete pad for the installation of a generator should not take if construction of a bridge, so the construction period for this project type should be adjusted.

Exhibit 1
*Sample Grantee Monitoring
Plan*
Revised March 1, 2017

Contents

1. Monitoring Overview	1
2. Monitoring Checklist	2
3. Types of Monitoring	2
4. Monitoring Process	2
4.1 Risk Assessment and Monitoring Schedule	2
4.2 Execute Checklist	3
4.3 Monitoring Letter	3
4.4 Technical Assistance	4
4.5 Follow-up	4

PUBLIC LAW 114-223/254 Guide for Review of Financial Management for CDBG-DR Grantees	
Grantee	Name of Grantee: West Virginia
	Staff Consulted: Lisa Fisher
	Name and Title of Grantee Staff Completing Form: Lisa Fisher, Chief Compliance Officer
	Signature:  Date: 8/18/17

HUD	HUD CPD Representative Consulted:	
	Name and Title of HUD Staff Completing Form:	
	Signature:	Date:
	HUD Financial Analyst Consulted:	
	Name and Title of HUD Staff Completing Form:	
	Signature:	Date:

Instructions:

P.L. 114-223 Certifications: Public Law 114-223 (the Appropriations Act) requires that HUD certify, **in advance of signing a grant agreement**, that the following requirements are met before Grantee may receive a Community Development Block Grant – Disaster Recovery(CDBG-DR) grant: that the Grantee has in place proficient financial controls; proficient procurement processes; has established adequate procedures to prevent any duplication of benefits as defined by section 312 of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42U.S.C. 5155); that the Grantee has established adequate procedures to ensure timely expenditure of funds; that the Grantee has established adequate procedures to maintain comprehensive websites regarding all disaster recovery activities assisted with these funds; and that the Grantee has established adequate procedures to detect and prevent fraud, waste, and abuse of funds.

In order for HUD to certify that the Grantee has in place proficient financial controls, each Grantee must complete this Public Law 114-223 Guide for Review of Financial Management (the Financial Management Guide) as part of completing Part B. Financial Controls of the P.L. 114-223 Certification Checklist and submit the required information to the Grantee's designated HUD representative. A designated HUD representative from Headquarters or the Field Office (FO) must review the Grantee's submission and complete this Financial Management Guide. When HUD CPD Specialists or Financial Analysts are not available, the CPD FO Director will designate an alternate HUD representative for the FO representative. The Headquarter representative will be assigned by the Director of the Disaster Recovery and Special Issues Division.

The Grantee's documentation must be submitted within 30 days of the effective date of the *Federal Register* Notice which publishes the Disaster Recovery Awardees and the CDBG-DR grant requirements (the Notice). Failure to submit documentation within 30 days of the effective date of the Notice may result in the cancellation of the award. **Grant agreements will not be executed until HUD has issued a certification in response to the Grantee's submission.**

P.L. 114-223 Guide for Review of Financial Management: This Financial Management Guide is designed to assess the proficiency of a CDBG-DR Grantee's financial processes based on the financial requirements in Subparts D and F of 2 CFR part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Where the question pertains to a CDBG-DR Grantee, the term Grantee is used.

This Financial Management Guide is a modified exhibit typically used to monitor Grantees following grant execution. To satisfy the requirements for review of financial processes pertaining to the HUD-award, Grantees should consider the processes of existing HUD or other Federal funding awards and refer to documentation of those awards, where applicable. This Financial Management Guide is divided into sections A through K: Financial Management; Internal Controls; Bonds; Payment and Financial Reporting; Improper Payments; Cost Sharing or Matching; Program Income; Revision of Budget and Program Plans; Period of Performance; Record Retention and Access; and Audit Requirements. Additionally, in completing the Financial Management Guide, Grantees must demonstrate that its financial standards are complete and conform to these requirements. The Grantee must identify which sections of its financial standards address each of the questions in the Financial Management Guide and which personnel or unit are responsible for each Financial Management Guide item. As used in this Exhibit, the term "standards" is synonymous with "procedures."

For convenience, certain questions that address financial requirements contain citations to sources that served as the basis for the development of these questions (statute, regulation, NOFA, or grant agreement).

Grantees must identify the type of recipient receiving CDBG-DR grant funds:

State Grantee	<div><input checked="checked" type="checkbox"/> <input type="checkbox"/></div> <div>Yes No</div>
----------------------	--------------------------------------------------------------------------------------------------

PART A. FINANCIAL MANAGEMENT:

1.

The Grantee must have a system for accounting records to identify adequately the source and application of funds for CDBG-DR-funded activities. The Grantee can facilitate compliance with this requirement if it accounts for a HUD program in a separate accounting fund (e.g., Special Revenue Fund). Note, however, that HUD will not impose specific accounting requirements (such as requiring the Grantee to utilize an accrual basis of accounting).

	Grantee	HUD
a) Does the Grantee have standards to ensure that accounting records contain information on the CDBG-DR grant award, authorizations, obligations, unobligated balances, assets, liabilities, expenditures, program income (as defined by the Notice), and interest?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Provide Cross-Reference to Standards: Accounting P&P page 4 #3; details begin on page 7 in the Chart of Accounts section; see also "Fund 8746" on pg. 7 under which all information for CDBG-DR award will be captured		
b) Does the Grantee have standards to maintain adequate source documentation for the information identified in question 1(a)? (To determine compliance, a grantee may select a sample of accounting entries and determine whether they are supported by invoices, contracts, or purchase orders, etc.) [2 CFR 200.302(b)(3)]	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Provide Cross-Reference to Standards: Accounting P&P Page 4 #3; see Accounts Payable begin on pages 29-33		
c) Does the Grantee have standards established to provide a comparison of expenditures to the budget amounts for the CDBG-DR award? (NOTE: Grantees will usually demonstrate compliance with this requirement by making entries in its accounting records of the amounts budgeted/allocated for activities to be undertaken with the assistance provided under the HUD award which in turn facilitates preparation of financial statements that provide for such comparison.) [2 CFR 200.302(b)(5)]	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Provide Cross-Reference to Standards: Accounting P&P Page 4 #5; details for Grant Reconciliations begin on page 36		

	Grantee	HUD
d) Does the Grantee have standards requiring it to enter in its accounting records an encumbrance/obligation when contracts are executed, purchase orders issued, etc.? [2 CFR 200.302(b)(3)]	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Provide Cross-Reference to Standards: Accounting P&P Page 10; Post-Award Procedures #2		
e) Does the Grantee have standards to identify expenditures in its accounting records according to eligible activity classifications specified in the statute, regulations, or grant agreement that clearly identify the use of CDBG-DR funds for eligible activities? [2 CFR 200.302(b)(3)]	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Provide Cross-Reference to Standards: Accounting P&P page 26-27, Segregating Unallowable from Allowable Costs #6		
f) Does the Grantee have standards to ensure information on obligations, expenditures, and program income (as defined by the Notice) submitted to HUD in the Disaster Recovery and Grant Reporting System (DRGR), Quarterly Performance Reports (QPR), or other applicable report(s), reconcile with the Grantee's accounting records for time periods reviewed? NOTE: If the Grantee maintains its records on other than an accrual basis, it must be able to support accrual data for its reports on the basis of the documentation on hand. [2 CFR 200.302(b)(2)]	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Provide Cross-Reference to Standards: Accounting P&P page 36-37 Grant Reconciliations		

2.

	Grantee	HUD
Does the Grantee have standards to maintain adequate control over all funds, property, and other assets to ensure they are used solely for authorized purposes? See questions below that are related to internal controls. [2 CFR 200.302(b)(4)]	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Provide Cross-Reference to Standards: Accounting P&P page 4 #4; page 5-6 Security and page 8 Control of Chart of Accounts		

PART B. INTERNAL CONTROLS:

The Grantee must establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the Grantee is able to manage the Federal award in compliance with this part. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States (known as the "Green Book") or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The definitions of internal control in these documents are intentionally broad. The evaluation of the effectiveness of the Grantee's internal control system likewise must cover a broad range of considerations (e.g., procurement, cost principles.). Further, the audit requirements in 2 CFR part 200, Subpart F include procedures to evaluate the auditee's internal control system. Therefore, the questions below are limited in scope. However, the HUD reviewer should take these considerations into account, together with the questions below, in making an overall assessment of the adequacy of the Grantee's internal controls.

3.

	Grantee	HUD
a) Does the Grantee have standards to perform a self-assessment of its internal control system? [2 CFR 200.303(a)]	<input checked="" type="checkbox"/> <input type="checkbox"/> Yes No	<input type="checkbox"/> <input type="checkbox"/> Yes No
Provide Cross-Reference to Standards: Accounting P&P – page 45-46, Preparation for Annual Audit, Planning		
b) Does the Grantee have standards to take reasonable measures to safeguard protected personally identifiable information (PII) and other information that HUD or a pass-through entity designates as sensitive, or the Grantee considers sensitive, consistent with applicable Federal, state, local, and tribal laws regarding privacy and obligations of confidentiality? (HUD shall verify that the Grantee has a written policy for protecting PII and other safeguard measures.). [2 CFR 200.303(e)]	<input checked="" type="checkbox"/> <input type="checkbox"/> Yes No	<input type="checkbox"/> <input type="checkbox"/> Yes No
Provide Cross-Reference to Standards: Accounting P&P page 6 Storage of Sensitive Data; See Appendix RFM-2: Office of Technology Policies, WVOT P0100; WVDOC/OEO is required to follow this policy.		
c) Does the Grantee have the ability to submit an organization chart that sets forth the actual lines of responsibility for the CDBG-DR award?	<input checked="" type="checkbox"/> <input type="checkbox"/> Yes No	<input type="checkbox"/> <input type="checkbox"/> Yes No
Describe Basis for Conclusion: See page 3 of Accounting Policies and Procedures; see also Appx. K of the Implementation Plan package.		

d) Does the Grantee have standards to ensure duties and responsibilities are segregated (to the extent practicable) so that no one individual has complete authority over a financial transaction? (For example, the Grantee's procedures preclude one person from issuing purchase orders, receiving merchandise, and approving payment vouchers.)	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Provide Cross-Reference to Standards: Accounting P&P – page 17 Segregation of Duties				

PART C. BONDS

4.

	Grantee			HUD		
a) Does the Grantee have standards to ensure fidelity bond coverage will be obtained for the responsible officials? [2 CFR 200.304(b)]	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
Provide Cross-Reference to Standards: West Virginia Code §§ 6-2-1, 6-2-3, 6-2-6. See Appendix RFM-3						
b) If the answer to 4(a) above is yes, does the Grantee's standards ensure the bond will be from a company holding a certificate of authority as an acceptable surety, as prescribed in 31 CFR Part 223, <i>Surety Companies Doing Business with the United States</i> ? [2 CFR 200.304(c)]	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
Provide Cross-Reference to Standards: West Virginia Code §6-2-2. See Appendix RFM-4						